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**SUPERPACK  
CORPORATION  
LIMITED**

**1975  
ANNUAL  
REPORT**



# Superpack Corporation Limited

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## Officers

Irving Gould, *Chairman of the Board*  
Vincent P. Paul, *President*  
Guido Brina, *Vice-President*  
Herman C. Vinnet, *Vice-President of Finance and Secretary*  
Gerald Papernick, *Treasurer and Assistant Secretary*

## Directors

Guido Brina, *Monmouth Beach, New Jersey*  
Irving Gould, *Nassau, Bahamas*  
Vincent P. Paul, *Toronto, Ontario*  
Stanley J. Randall, *Toronto, Ontario*  
William F. Saynor, *Toronto, Ontario*

## Registrar and Transfer Agent

Guaranty Trust Company of Canada

## Auditors

Wm. Eisenberg & Co.

## General Counsel

Davies, Ward & Beck

## Head Office

3370 Pharmacy Avenue  
Agincourt, Ontario

## Branch Offices

Los Angeles, *California*  
Elizabeth, *New Jersey*  
Nassau, *Bahamas*  
Minneapolis, *Minnesota*

## Listed On

Montreal Stock Exchange

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# Superpack Corporation Limited


## Unaudited Interim Results

(Subject to year-end adjustment)

	For the Three Months Ended	
	<b>February 29, 1976</b>	<b>February 28, 1975</b>
SALES	<b>\$2,134,458</b>	\$1,910,253
EARNINGS (LOSS) BEFORE THE UNDERNOTED ITEMS	<b>48,548</b>	(41,092)
Amortization of deferred charges	<b>4,874</b>	7,838
Depreciation	<b>46,665</b>	54,691
Interest on long-term debt	<b>38,539</b>	56,063
Other interest	<b>36,260</b>	36,932
LOSS BEFORE TAXES AND EXTRAORDINARY ITEM	<b>77,790</b>	196,616
Income taxes (note 1)	<b>25,000</b>	—
LOSS BEFORE EXTRAORDINARY ITEM	<b>102,790</b>	196,616
Extraordinary item (note 2)	<b>(25,000)</b>	—
NET LOSS FOR PERIOD	<b>\$ 77,790</b>	\$ 196,616
LOSS PER SHARE		
Before extraordinary item	<b>\$ 0.18</b>	\$ 0.34
Net loss for period	<b>\$ 0.14</b>	\$ 0.34
AVERAGE NUMBER OF SHARES OUTSTANDING	<b>572,687</b>	572,687

*Note 1. The figures for the three months ended February 28, 1975 have been restated by the elimination of income taxes recoverable originally shown as \$74,000.*

*Note 2. The extraordinary item represents income taxes recoverable by the application of the prior year loss.*



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## Annual Report 1975

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### LETTER FROM THE PRESIDENT

In line with economic conditions in our industry, results for the year ended November 30, 1975 were quite disappointing. The sales volume achieved by the metal housewares and manufacturing operations was 26.2% less than the previous year, and total sales in the packaging operation were down 17.8%. These two reductions accounted for the decrease of \$2,542,872 in sales during the twelve month period ended November 30, 1975.

In a move to effect as many economies as possible, the Gildon Metal Enterprises spinning operation was relocated at 3370 Pharmacy Avenue, Agincourt, where it shares space with the Nortex Products Company Division. In addition, inventories were substantially reduced to supply additional cash working capital.

Unsatisfactory operating results prompted the closing of the St. Louis, Missouri packaging plant and the transfer of the bulk of its machinery and equipment to its other two manufacturing facilities in Elizabeth, New Jersey and Los Angeles, California.

In addition, financial pressures placed upon the Company by the losses incurred during the year necessitated the decision to sell the 200,000 shares of Corporate Properties Limited for \$400,000. These shares had been carried on the Company's books at the original cost of \$720,000. This sale was not consummated until February of 1976, but the value of these shares was reduced to the eventual sale price in the results for the year ended November 30, 1975.

It was also decided by your Board of Directors that the burdens imposed by the 9% Sinking Fund Debentures due March 31, 1977 and their related Sinking Fund provisions were unreasonable for the Company in its present financial condition. Accordingly, meetings of the Debentureholders were called in January and February 1976, wherein the Company obtained the approval of the Debentureholders to make the following major revisions. Effective April 1, 1976 the interest rate was increased from 9% to 10% per annum and the Debentures will now mature on December 31, 1983. Prior to the meetings which took place to approve the revisions to the Debentures, the Company would have been required to pay to the Trustee on March 31, 1976 an amount sufficient to retire out of Sinking Fund contributions principal amounts of the Debentures totalling \$150,000. This provision was amended to make the Sinking Fund requirement for March 31, 1976 and subsequent years a minimum annual payment of \$75,000 which can be satisfied by the purchase of Debentures or a cash deposit into the Sinking Fund.

The foregoing reduction in financial commitments relative to the outstanding Debentures has eased the cash requirements of the Company. Also, it is anticipated that the market for our products will strengthen during the current year, which should be reflected in improved operating results.



*President*

Toronto, Canada  
April 12, 1976



## Financial Summary

### Five Year Combined Financial Summary in Canadian Funds

Year Ended November 30	1975	1974	1973	1972	1971
Gross Operating Revenues	\$ 8,767,137	\$11,310,009	\$10,000,301	\$10,738,723	\$ 9,306,356
Earnings before Undernoted items	229,673	900,565	683,176	1,095,833	1,013,175
Depreciation and Amortization	275,619	290,777	317,222	292,350	344,418
Interest	328,847	385,224	309,716	231,561	206,581
Income Taxes	(37,792)	62,607	34,830	276,049	249,861
Net Earnings (loss) from Continuing Operations	(337,001)	161,957	21,408	295,873	212,315
Unusual Items and Discontinued Operations	(320,000)	(754,674)	(156,979)	(111,672)	(243,650)
Net Earnings (loss) before Extraordinary Items	(657,001)	(592,717)	(135,571)	184,201	(31,335)
Extraordinary Items	(244,576)	8,735	197,339	—	(3,197,587)
Net Earnings (loss)	(901,577)	(583,982)	61,768	184,201	(3,228,922)
Earnings (loss) per share on:—					
Net Earnings (loss) from Continuing Operations	(0.59)	0.28	0.04	0.52	0.37
Unusual Items and Discontinued Operations	(0.56)	(1.32)	(0.27)	(0.20)	(0.42)
Net Earnings (loss) before Extraordinary Items	(1.15)	(1.04)	(0.23)	0.32	(0.05)
Extraordinary Items	(0.42)	0.02	0.34	—	(5.56)
Net Earnings (loss)	(1.57)	(1.02)	0.11	0.32	(5.61)
Average number of shares outstanding during year	572,687	572,687	572,687	572,570	575,133

*Note: Certain of the above figures have been reclassified for comparative purposes*

## Auditors' Report

To the shareholders,  
SUPERPACK CORPORATION LIMITED

We have examined the consolidated balance sheet of Superpack Corporation Limited and its subsidiary companies as at November 30, 1975, and the consolidated statements of earnings, deficit and changes in financial position for the year then ended. Our examination of the financial statements of Superpack Corporation Limited and those subsidiaries of which we are the auditors, included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at November 30, 1975, the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles, applied on a basis consistent with that of the preceding year.

Toronto, Canada,  
March 23, 1976.

WM. EISENBERG & CO.  
Chartered Accountants



# Superpack Corporation Limited

and subsidiary companies

## Consolidated Statement of Earnings for the year ended November 30, 1975

	1975	1974
SALES	\$ 8,767,137	\$11,310,009
EARNINGS FROM OPERATIONS BEFORE UNDERNOTED ITEMS	\$ 229,673	\$ 891,515
Amortization of deferred charges	53,286	34,607
Depreciation	222,333	256,170
Interest on long-term debt	147,331	131,441
Other interest	181,516	253,783
EARNINGS (LOSS) BEFORE UNUSUAL ITEMS	(374,793)	215,514
Write-down of patents and trademarks	—	(492,284)
Write-off of goodwill	—	(115,216)
Loss from discontinued operations	—	(147,174)
Write-down of investments (note 2)	(320,000)	—
	(694,793)	(539,160)
Minority interest in subsidiary's loss	—	9,050
LOSS BEFORE TAXES AND EXTRAORDINARY ITEMS	(694,793)	(530,110)
Income taxes	37,792	(62,607)
LOSS BEFORE EXTRAORDINARY ITEMS	(657,001)	(592,717)
Extraordinary items (note 6)	(244,576)	8,735
NET LOSS FOR YEAR	\$ (901,577)	\$ (583,982)
LOSS PER SHARE (note 8)		
Before extraordinary items	\$ (1.15)	\$ (1.03)
Net loss for year	\$ (1.57)	\$ (1.02)

## Consolidated Statement of Deficit for the year ended November 30, 1975

	1975	1974
		Restated (note 5)
Balance (deficit), beginning of year	\$ (169,954)	\$ 414,028
Prior period adjustment (note 5)	(136,078)	(136,078)
As restated	(306,032)	277,950
Net loss for year	(901,577)	(583,982)
Deficit, end of year	\$ (1,207,609)	\$ (306,032)

The attached notes form an integral part of these financial statements

# Superpack Corporation Limited

and subsidiary companies

## Consolidated Balance Sheet as at November 30, 1975

### ASSETS

	<u>1975</u>	<u>1974</u> Restated (note 5)
CURRENT		
Cash	\$ 1,603	\$ 19,274
Accounts receivable (note 3)	1,609,628	1,615,672
Inventories (notes 1 and 3)	1,295,407	1,676,773
Prepaid expenses and sundry assets	77,427	63,997
Income taxes recoverable	—	47,161
	<u>2,984,065</u>	<u>3,422,877</u>
INVESTMENTS (notes 2 and 3)	<u>421,044</u>	<u>740,991</u>
FIXED (note 3)		
Land (note 6)	—	75,054
Building (note 6)	—	272,452
Machinery, furniture and fixtures	2,228,727	2,365,671
Leasehold improvements	276,931	256,683
Tools and dies	368,825	350,602
Vehicles	102,666	100,323
Vending units	1,107,710	1,142,298
Total, at cost	4,084,859	4,563,083
Accumulated depreciation (note 1)	3,253,792	3,315,919
	<u>831,067</u>	<u>1,247,164</u>
OTHER		
Patents and trademarks (note 1)	44,905	47,190
Deferred charges (note 1)	36,791	64,099
	<u>81,696</u>	<u>111,289</u>
	<u>\$ 4,317,872</u>	<u>\$ 5,522,321</u>

Approved on Behalf of the Board

"I. Gould", Director

"V. P. Paul", Director



## LIABILITIES

	<u>1975</u>	<u>1974</u> Restated (note 5)
CURRENT		
Bank indebtedness (note 3)	\$ 1,339,158	\$ 1,621,816
Accounts payable and accrued	1,677,811	1,691,327
Owing to Director (including his affiliates)	143,000	—
Long-term debt due within one year	220,670	187,353
Income taxes payable	92,090	—
	<u>3,472,729</u>	<u>3,500,496</u>
LONG-TERM DEBT		
Notes and loans payable (note 4)	179,214	334,109
Debentures payable (note 4)	1,004,500	1,077,034
	<u>1,183,714</u>	<u>1,411,143</u>
DEFERRED INCOME TAXES (note 1)	78,743	126,419
	<u>4,735,186</u>	<u>5,038,058</u>

## SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized		
50,000 6% Cumulative, redeemable preference shares, par value \$20		
1,000,000 Common shares, without par value		
Issued		
572,687 Common shares (net of 5,600 shares held by a subsidiary)	790,295	790,295
DEFICIT	(1,207,609)	(306,032)
	<u>(417,314)</u>	<u>484,263</u>
	<u>\$ 4,317,872</u>	<u>\$ 5,522,321</u>

*The attached notes form an integral part of these financial statements*

# Superpack Corporation Limited

and subsidiary companies

## Consolidated Statement of Changes in Financial Position for the year ended November 30, 1975

	<u>1975</u>	<u>1974</u> Restated (note 5)
<b>SOURCE OF FUNDS</b>		
Net loss for year before extraordinary items	\$ —	\$ (592,717)
Expenses not requiring working capital		
Depreciation	—	298,781
Deferred income taxes	—	56,451
Amortization and write-down of deferred assets	—	526,891
Write-off of goodwill	—	115,216
Minority interest	—	(9,050)
Funds from operations	—	395,572
Proceeds on disposal of division's fixed assets	<b>67,478</b>	320,900
Increase in long-term debt	—	422,658
	<u><b>67,478</b></u>	<u>1,139,130</u>
<b>USE OF FUNDS</b>		
Net loss for year before extraordinary items	<b>657,001</b>	—
Expenses not requiring working capital		
Depreciation	<b>(222,333)</b>	—
Deferred income taxes	<b>47,676</b>	—
Amortization of deferred assets	<b>(33,423)</b>	—
Write-down of investments	<b>(320,000)</b>	—
Funds absorbed by operations	<b>128,921</b>	—
Additions to fixed assets (net)	<b>118,290</b>	232,091
Additions to deferred assets	<b>3,830</b>	29,035
Reduction in long-term debt	<b>227,429</b>	471,675
Investments	<b>53</b>	62
	<u><b>478,523</b></u>	<u>732,863</u>
INCREASE (DECREASE) IN WORKING CAPITAL	<b>(411,045)</b>	406,267
WORKING CAPITAL DEFICIT, BEGINNING OF YEAR	<b>(77,619)</b>	(483,886)
WORKING CAPITAL DEFICIT, END OF YEAR	<u><b>\$ (488,664)</b></u>	<u><b>\$ (77,619)</b></u>

*The attached notes form an integral part of these financial statements*



# Superpack Corporation Limited

and subsidiary companies

## Notes to the Consolidated Financial Statements as at November 30, 1975

### 1. Summary of Significant Accounting Policies

#### (a) Principles of consolidation

The Consolidated Financial Statements include the accounts of the following wholly-owned subsidiary companies and divisions:

##### Companies

Gildon Metal Enterprises Limited  
Canbar Distributors Limited  
Scientific Packaging Corp.  
Coin-Op Sales Inc.  
Superpack Vending Company (Nassau) Limited  
Superpack Vending (Curacao) Limited

##### Divisions

Nortex Products Company  
Superpack Vending Company

#### (b) Inventories

Inventories are valued at the lower of cost (first-in, first-out) and net realizable value, and consist of the following:

	1975	1974
Raw materials	\$ 639,879	\$1,061,877
Work-in-progress	369,686	213,050
Finished goods	285,842	401,846
	<u>\$1,295,407</u>	<u>\$1,676,773</u>

#### (c) Translation of foreign currencies

Foreign currencies have been translated into Canadian dollars on the following basis:

Current assets and current liabilities—at the prevailing rate at the balance sheet date

Other assets and liabilities—at historical rates

Income and expenses—at average rates for the year, except for depreciation and amortization, which are translated on the same basis as their related assets

Gains and losses on translation have been reflected in the consolidated statement of earnings.

#### (d) Depreciation of fixed assets

Depreciation is provided on a straight-line basis at rates which are designed to amortize the cost of the assets

over their estimated useful lives (except for vending machines which are being depreciated on the sum of digits method) as follows:

Building	—5%
Machinery, furniture and fixtures	—10%
Leasehold improvements	—5 to 15 years
Tools and dies	—33-1/3%
Vehicles	—15% – 25%

#### (e) Patents and trademarks

The company has written down its cost of patents, licenses and trademarks incurred prior to November 30, 1968 (previously amortized over 20 years) to a nominal value of \$1. Patent and trademark costs incurred subsequent to that date are being amortized over a period of 10 years on a straight-line basis.

	1975	1974
(f) <i>Deferred charges</i>		
Debenture extension expense is amortized over 60 months on a straight-line basis at \$4,114 per annum	\$ 5,485	\$ 9,599
Leasing expense is amortized over the life of the lease at approximately \$3,777 per annum	21,032	24,809
Plant and labour study expense is amortized over three years at approximately \$19,417 per annum	10,274	29,691
	<u>\$36,791</u>	<u>\$64,099</u>

#### (g) Deferred Income Taxes

Income taxes have been provided in respect of timing differences between accounting and taxable income primarily relating to fixed assets.

### 2. Investments in Other Companies

	1975	1974
(a) <i>Corporate Properties Limited</i>		
—200,000 Common shares (20%)—at market (note 2b)	\$ 400,000	\$ 720,000
Sundry, at cost	21,044	20,991
	<u>\$ 421,044</u>	<u>\$ 740,991</u>

#### (b) Write-down of investments

Subsequent to the year end, the company sold its investments in the shares of Corporate Properties Limited.



# Superpack Corporation Limited

and subsidiary companies

## Notes to the Consolidated Financial Statements (continued) as at November 30, 1975

It has therefore written down this investment to the realizable value thereby reflecting the loss of \$320,000.

### 3. Bank Indebtedness

The bank indebtedness is secured by a general assignment of book debts, inventories, fixed assets and investments (note 2).

### 4. Long-Term Debt

	1975	1974
(a) <i>Notes and loans payable</i>		
U.S.A. prime rate, plus 4.625%, secured by certain inventory and fixed assets of a U.S. subsidiary and re- strictions on dividends by that subsidiary; repayable at \$120,000 per annum in U.S. funds	\$ 269,514	\$ 385,601
Other, secured by certain fixed assets and repayable at approximately \$10,500 per annum	23,910	81,895
Owing to director (including his affiliates)	—	33,000
Other debt	31,460	—
	<u>324,884</u>	<u>500,496</u>
Due within one year	145,670	166,387
	<u>\$ 179,214</u>	<u>\$ 334,109</u>
(b) <i>Debentures payable</i>		
Debentures outstanding at end of year	\$1,079,500	\$1,212,667
Debentures purchased, but not yet cancelled (secured balance due to broker— \$76,742)	—	114,667
	<u>1,079,500</u>	<u>1,098,000</u>
Due within one year	75,000	20,966
	<u>\$1,004,500</u>	<u>\$1,077,034</u>

Under the terms of the amended trust indenture dated February 16, 1976 (and reflected as of November 30, 1975), the 10% convertible sinking fund debentures maturing December 31, 1983 are secured by a floating charge on the assets of the company and its subsidiaries, and are convertible at the holder's option into common shares to December, 1983, at varying prices between \$5.00 and \$12.00 per share increasing \$1.00 per year.

The Debentures are redeemable under certain conditions at a premium which reduces annually. The sinking fund requirements from March 31, 1976 to March 31, 1983 amount to a minimum payment of \$75,000 annually. The company may reduce the amount of the sinking fund payment required by the cost of debentures purchased for redemption during the year.

### 5. Prior Period Adjustment

Prior period adjustment primarily represents income tax re-assessments for the years 1967 to 1969.

### 6. Extraordinary Items

	1975	1974
Gain on sale of machinery on closing of packaging plant (U.S.A.)	\$ 27,582	\$ —
Write-down of land and building on closing of packaging plant (U.S.A.)	(272,158)	—
Loss on disposal of discon- tinued printing operation (U.S.A.)	—	(49,613)
Income tax benefit from write-off of goodwill in prior years on acquisition of printing operations (U.S.A.)	—	58,348
	<u>\$ (244,576)</u>	<u>\$ 8,735</u>

### 7. Commitments

(a) The following minimum annual payments are required (based on sales of products manufactured under certain trademarks and patent rights):

1976	\$25,000
1977	30,000
1978	35,000
1979	35,000

(b) The minimum annual rent on leases for 1975 amounts to \$230,000, plus certain occupancy costs. These leases expire at varying dates up to 1984 and require total payments of approximately \$1,644,750.

### 8. Capital Stock

#### (a) *Debenture conversion*

As at November 30, 1975, the company has reserved a maximum of 83,038 common shares of its authorized capital for the possible conversion of debentures (note 4).



# Superpack Corporation Limited

and subsidiary companies

## Notes to Consolidated Financial Statements (continued) as at November 30, 1975

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(b) *Option*

The company has reserved 7,500 common shares of its authorized capital for an employee's stock option, which may be exercised on or before February 7, 1978 at a price of \$3.50 per share.

(c) *Earnings per share*

Fully diluted earnings per share have not been calculated on the above option and conversions as the effect of this calculation would be antidilutive.

### 9. Remuneration of Directors and Senior Officers

Aggregate remuneration of senior officers and directors of the company paid during the year amounted to \$216,015 (1974 - \$194,044).

### 10. Segmented Sales

	1975	1974
Packaging	\$4,114,388	\$5,004,834
Metal housewares and manufacturing	4,652,749	6,305,175
	<u>\$8,767,137</u>	<u>\$11,310,009</u>

### 11. Losses Carried Forward

Two of the company's subsidiaries have losses for tax purposes of \$431,500 for which deferred income taxes have not been provided due to the uncertainty of their realization. These losses expire in varying amounts from 1978 to 1981.

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